Housing Assistance and Welfare: Background and Issues

January 19, 2005

Congressional Research Service
https://crsreports.congress.gov
RL32104

Summary

The 1995-1996 debate over creation of a block grant to states for cash aid to needy families with children (Temporary Assistance for Needy Families—TANF) focused on reducing welfare rolls by promoting work. Except for child care costs, it gave scant attention to other living expenses of low-income parents. The issues of housing cost and affordability were essentially absent from the debate, although rent is the largest expense for many low-income families.

The important role housing plays in families' lives has been recognized through a system of programs, administered by the Department of Housing and Urban Development (HUD), that subsidize the housing costs of low-income families. The three major direct housing assistance programs are the low-rent public housing program, the Housing Choice Voucher program (also known as Section 8 vouchers) and project-based rental assistance.

Both housing programs and TANF are designed to serve the needs of low-income households. As a result, many low-income families who receive TANF cash assistance or services, or have in the past, also qualify for housing assistance. It is estimated by CRS that possibly half a million households were receiving both cash welfare assistance and housing assistance in 2001. Although the two programs, in many cases, serve the same populations, the structures and rules of the two programs are often in conflict. This inconsistency in program rules can lead to inefficiencies for dual program participants. Some changes have been made to enhance the compatibility of housing and welfare programs. Further changes to one or both of the programs to enhance coordination have been considered as a part of the debate surrounding both welfare reauthorization and proposed housing reform measures.

This paper will introduce the reader to federal housing assistance and welfare programs, the people they serve, how the programs interact and current issues. It will be updated to track relevant legislation.

Contents

Tables

Contacts

Introduction

This country has long debated how best to meet the needs of the poor. Some argue that income supplements that allow families to participate in the consumer market are the most effective and efficient means for the government to ensure that the basic needs of the poor are met. Others argue that poor people cannot effectively participate in the free market for a variety of reasons beyond income, and, as a result, society has a responsibility to provide them with the goods and services they need to survive. The social welfare programs run by the federal government have shifted from time to time in their relative emphasis on providing cash welfare versus subsidizing the costs of goods and services. Looking at the changes in welfare and housing programs over time helps to illustrate this tension.

During and after the Great Depression, the government created a number of programs that provided both cash welfare and subsidized goods and services to the poor. The Social Security Act of 1935 offered grants to states to help fund cash aid for three groups of needy persons: children (Aid to Dependent Children), aged persons (Old-Age Assistance), and blind persons (Aid to the Blind). The Housing Act of 1937 created a federal construction program both to create jobs and to stimulate the economy, as well as to build low-cost housing for the poor. By the late 1930s and early 1940s, the federal government was providing surplus food to the poor in select cities. In 1964, the Food Stamp program was enacted both to eliminate surplus food as well as supplement the food needs of the poor. In 1965, the Medicaid program, which provided access to health care for the poor was created.

By the late 1960s, the children's cash welfare program (renamed Aid to Families with Dependent Children (AFDC)) had become the target of widespread criticism. Some argued that cash welfare programs for single mothers promoted out-of-wedlock childbirth and dependency while discouraging work. At the same time, critics attacked federal housing programs, citing rising crime in publicly constructed housing developments and chronic fraud and abuse in their management. In 1969, President Nixon proposed a radical change to the federal social welfare system, a guaranteed minimum income in the form of a negative income tax. Nixon's plan was not adopted, but some reforms were made to the cash welfare program. By 1973, Nixon declared a moratorium on all federal housing construction programs. In their place, a number of programs were developed, the largest being a system of rental subsidies which families could use in the private market.

Since the 1970s, federal social welfare policies have not resolved the debate between cash and services. Instead, a hybrid of both has developed and been maintained. The Earned Income Tax Credit (EITC) was created in the late 1970s and provides income supplements to working families. Market-based housing vouchers have grown to the point where more people are now served by vouchers than live in public housing. AFDC was abolished in 1996 and replaced by a state block grant called Temporary Assistance to Needy Families (TANF). This last change, from AFDC to TANF, has been one of the most dramatic. Whereas AFDC provided ongoing cash payments for poor families, TANF was designed to provide families with a temporary cash benefit while they transitioned into work. Under TANF, states have new flexibility, which, paired with a large reduction in the welfare caseload in the mid-1990s, has made it possible for them to use their TANF funds to provide a wide range of services including child care and job-search assistance. Spending on services now accounts for a larger portion of TANF spending than does spending on cash benefit payments.

Given the array of federal support for both cash aid and goods and services, questions can be raised as to whether the existing programs are well-coordinated for the purposes of effectiveness and efficiency. This paper explores the overlapping areas of housing assistance and welfare, their areas of alignment and disconnect and proposals that have been made to encourage coordination between them.

The Programs

TANF[1]

Enacted as a part of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) (P.L. 104-193) as a replacement for the former welfare program, Aid to Families with Dependent Children (AFDC), TANF provides fixed grants to states for time-limited and work-conditioned aid for low-income families. The goals of TANF are to:

- Aid needy families so that children may be cared for in their homes or those of relatives;
- End dependence of needy parents upon government benefits by promoting job preparation, work, and marriage;
- Prevent and reduce out-of-wedlock pregnancies and establish goals for preventing and reducing their incidence; and
- Encourage the formation and maintenance of two-parent families.

States have the flexibility to use their TANF grants not only for cash assistance, but for a wide range of services that seek to advance any of the goals of the program. States have used that flexibility to fund, for example, child care, transportation, job search assistance, and, in some cases, even housing assistance. States have implemented their TANF programs very differently and some states provide a wider array of services than others.[2] In addition to greater flexibility in using funds, the conversion to TANF has brought a combination of policies to promote work, including stronger sanctions for nonparticipation in work, "Work First" policies and financial work rewards.

Since TANF was enacted, the goal of moving families off of cash assistance and into employment has been largely met, as caseloads now are one-half their historic peak size. However, it is less clear whether the incomes of the families who have left the caseloads (or not entered them) provide "self-sufficiency." Studies indicate that most families who have left cash assistance still require some form of public assistance. According to studies funded by the Department of Health and Human Services (HHS), about two-thirds of families who leave welfare receive food stamps within the first year and three out of five adults leaving welfare and 60-90% of their children are enrolled in Medicaid.[3]

Funding for the TANF block grant was originally set to expire on September 30, 2002, but it has been renewed through a series of short-term legislative actions. Several bills were introduced in the 108th Congress to reauthorize TANF through FY2008. The House passed the Personal Responsibility, Work, and Family Promotion Act of 2003 (H.R. 4), on February 13, 2003. The

[1] The statutory authority for TANF expired at the end of FY2002 and has been extended through a series of temporary measures. For more information on the current status of welfare reauthorization, see CRS Issue Brief IB10140, *Welfare Reauthorization: Overview of the Issues*, by Gene Falk.

[2] For the purposes of this paper, TANF assistance will primarily be discussed in the context of TANF cash assistance, since little data are available about how TANF funds are spent outside of cash assistance and who receives those benefits.

[3] Gregory Acs and Pamela Loprest, *Final Synthesis Report of Findings from ASPE "Leavers" Grants*, U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation, November 27, 2001. (Hereafter cited as *Final Synthesis.*)

Senate Finance Committee reported the Personal Responsibility and Individual Development for Everyone (PRIDE, H.R. 4) on October 3, 2003. Both bills contained proposals similar to the Administration's welfare reauthorization proposals, such as requiring states to engage more families in work, and requiring families to work more hours. Neither was enacted before the end of the 108th Congress.

Housing Assistance[4]

The argument for some form of subsidy to offset housing costs for certain families is often justified by looking at the percentage of income that these families pay for housing. The general rule used by HUD is that housing is "affordable" if it costs no more than 30% of a low-income family's annual gross income. Many low-income families pay much more than 30% of their incomes towards housing costs. According to the 2003 State of the Nation's Housing, released by the Harvard Joint Center for Housing Studies, there were over 14 million households who were severely rent-burdened, meaning that they paid more than half of their income towards rent. Almost 75% of these 14 million severely rent-burdened households were in the bottom income quintile. The poorest are the most rent burdened, with almost half of all households in the bottom income quintile facing a severe rent burden.[5]

Many argue that "affordable" housing is simply unavailable for low-income families. The National Low Income Housing Coalition conducted research looking at wages and housing costs and found that, in most major cities, it is highly unlikely that households with earnings from the minimum wage of $5.15 per hour up to nearly $10 per hour could find an "affordable" apartment.[6]

In order to address the need for "affordable housing," a number of direct housing assistance programs have been developed. These programs are administered by the Department of Housing and Urban Development (HUD) and authorized under the Housing Act of 1937 (P.L. 93-383), as amended. According to the 1937 Act:

> It is the policy of the United States ... that our Nation should promote the goal of providing decent and affordable housing for all citizens through the efforts and encouragement of Federal, State and local governments, and by the independent and collective actions of private citizens, organizations, and the private sector.

The three major forms of direct[7] housing assistance currently administered by HUD are: the low-rent Public Housing program, the Housing Choice Voucher program and project-based assistance programs.

Public Housing is rental housing that was constructed using federal funds and is publicly owned and managed by local, quasi-governmental Public Housing Authorities (PHAs). Low-income families who live in public housing pay approximately 30% of their incomes for rent. The costs

---

[4] For a current list of federal housing programs, see CRS Report RL32443, *The Department of Housing and Urban Development (HUD): FY2005 Budget*.

[5] Joint Center for Housing Studies of Harvard University , *The State of the Nation's Housing, 2003* at http://www.jchs.harvard.edu/publications/markets/son2003.pdf.

[6] National Low Income Housing Coalition, *Rental Housing for America's Poor Families: Farther Out of Reach Than Ever*, 2002 at http://www.nlihc.org/oor2002/index.htm.

[7] This paper focuses on direct housing assistance programs; however, there are a number of other indirect housing programs, including the HOME and Community Development Block Grant (CDBG) programs, and a number of tax-based programs, such as the Low Income Housing Tax Credit and the Mortgage Revenue Bond program.

of maintaining the buildings, beyond what can be supported by tenant rents, are subsidized by the federal government. In FY2003, there were 1.2 million public housing units under management.

Originally referred to as the Section 8 voucher program, the **Housing Choice Voucher program**[8] provides federally funded subsidies, administered by local PHAs, to low-income families and individuals to lease housing from private landlords. Families who receive vouchers pay between 30% and 40% of their incomes towards rent and the federal government subsidizes the remainder. In FY2003, there were approximately 2.2 million authorized vouchers.

Project-based rental assistance programs include privately-owned buildings for which the tenant rents, and in some cases construction costs, are subsidized by HUD. Although these programs are not generating new contracts, they were initially authorized under multi-year contracts, many of which have not yet expired.[9] Tenants who live in these buildings pay approximately 30% of their incomes towards rent and the federal government pays the remainder to the landlord. In FY2003, there were approximately 1.6 million project-based rental assistance units under government contract.[10]

Currently, only about one quarter of eligible low-income households actually receive housing assistance, mainly due to funding limitations.[11] Anecdotal evidence indicates that waiting lists for housing assistance, especially in major cities, are years long and many are not accepting additional names.

Table 1 compares some of the key aspects of TANF and HUD's housing assistance programs. Note that the programs are administered by different levels of government (state vs. local) and that, in most cases, states have greater flexibility in administering TANF than do the PHAs and local agencies that administer housing assistance programs.

Table 1. Comparison of TANF and Housing Programs

Feature	TANF	Housing assistance
Financial eligibility	Set by states.	Federally determined, based on local area median incomes; preferences set at local level.
Population served	Families with children.	Low-income households including families with children, elderly and disabled households and some single adults.
Administration	Administered at the state level, by state welfare agencies, but states can contract out administration.	Mostly administered at the local level by quasi-governmental bodies; some state-level administration, usually by state housing finance agencies.
Time limits	Federal time limits; states can impose more stringent limits or can	No federal time limits, administrators can choose to set local time limits.

8 CRS Report RL31930, *Section 8 Housing Choice Voucher Program: Funding and Related Issues*.

9 These programs include the Section 101, Section 236 and Section 8 Existing, New Construction and Moderate Rehabilitation programs.

10 According to HUD FY2004 budget documents, an estimated 1.2 million project-based Section 8 units, 370,000 Section 236 units and 17,000 Section 101 rent supplement units would require payment in FY2003.

11 Barbara Sard and Margie Waller, *Housing Strategies to Strengthen Welfare Policy and Support Working Families*, The Brookings Institution and the Center on Budget and Policy Priorities, April 2002.

Feature	TANF	Housing assistance
	use state funds to extend aid beyond the federal limit.	
Benefit levels	Set by the state.	Set using federal guidelines based on local market conditions as roughly the difference between 30% of a family's income and local rent levels.
Earnings disregards	Set by the state.	Earned income is statutorily required to be partially disregarded in the public housing program. This disregard does not apply to the voucher program or project-based rental assistance.
Work requirements	Federal law sets work participation rates that states must meet, defines countable work activities, and sets required work hours.	Federal 8-hour community services/employment requirement for public housing residents, no work requirement for other program recipients.

Source: Prepared by the Congressional Research Service, based on federal statutes.

The People Served

TANF[12]

States use TANF funds to provide cash assistance as well as programs and services to eligible households. While states are required to report the number of people who receive direct cash assistance from TANF, they are not required to track the number of people who participate in TANF funded services. Approximately 2.2 million families received cash assistance from TANF in FY2003.[13]

In FY2003, 24% of adults who received cash assistance from TANF were employed in paid jobs. Their average monthly earnings were $621 while on the TANF rolls. This amount is well below the poverty level and low enough that most families working and on the TANF caseload would be eligible for housing assistance. However, only approximately 20% of the caseload reported receiving some form of housing assistance.[14]

States are not required to track those who have left the TANF cash assistance caseloads. Although national data are unavailable, some researchers have tried to study this population, referred to as "welfare leavers." HHS-funded leaver studies have found that, for most leavers, year-round work paid more than welfare. However, the average monthly income for leavers from all sources, including income, generally lies near the poverty line. Many leavers come back to welfare; the leaver studies found that between one-quarter and one-third of all families who left welfare returned within one year.[15]

[12] Data used in this report come from CRS analysis of FY2003 TANF National Data Files.

[13] For purposes of this paper, families receiving TANF cash assistance includes both families receiving federal TANF cash assistance as well as families receiving cash assistance through separate state programs.

[14] Data reported by states under TANF might under report the receipt of housing assistance, especially in those states where housing assistance receipt is not used for eligibility determination or benefit calculation.

[15] *Final Synthesis.*

Housing Assistance

It was estimated that in FY2004, approximately 5 million housing units were eligible to receive some form of direct housing assistance.[16] Because housing assistance is provided through multiple programs, data on the entire population of housing assistance recipients are not readily available. However, data are available on the characteristics of the populations of the individual programs. This program specific data can be used to make some generalizations.

As **Table 2** illustrates, a large percentage of the housing assistance caseload is elderly or disabled. This portion of the housing assistance caseload is much less likely to be eligible for TANF cash assistance.[17] Families who might qualify for TANF—non-elderly, non-disabled households with children—constitute over half of the housing voucher caseload, more than one-third of the public housing caseload, and a little over a fifth of the Section 8 project-based caseload. Of the non-elderly, non-disabled portion of the housing assistance caseload, more than half reported some income from work; less than 10% reported combining welfare[18] and work. About one-fifth of these households were receiving income from welfare but not from work. Given that the caseload is approximately 5 million households, that around half of those households are non-elderly, non-disabled (2.5 million), and that about one fourth of those households are receiving welfare, we can very roughly estimate that around half a million households are receiving both TANF assistance and housing assistance. This estimate was confirmed in conversations between the author and staff in the Policy Development and Research division of HUD.

Table 2. Characteristics of Housing Assistance Recipients, 2000

	Public housing	Vouchers	Project-based Section 8[a]
Household composition			
Elderly Households (HH)	32%	17%	60%
Disabled HH	18%	22%	15%
Non-elderly, non-disabled HH	50%	61%	26%
With children	*39%*	*53%*	*21%*
Source of income (non-elderly, non-disabled households)			
Income from work	52%	57%	65%
No welfare	*48%*	*50%*	*54%*
Plus welfare	*4%*	*6%*	*10%*
Income from welfare but not work	22%	21%	16%
Income from other sources[b]	26%	22%	19%

[16] Statistics are not readily available on the number of households receiving subsidies, since HUD generally reports on units rather than on households. As HUD does subsidize some units that are vacant, the actual number of households served is some number lower than the number of units eligible for payment. Number are taken from the FY2005 HUD Congressional Budget Justifications, p. T-2.

[17] Some elderly and disabled-headed households may receive a child-only TANF benefit if they are caring for the child of a low-income parent. They may also be receiving TANF-funded services.

[18] Housing data defines welfare to include both TANF cash assistance as well as state-funded General Assistance. HUD estimates that only about 1-2% of the housing assistance caseload receives General Assistance. Since the vast majority of families who report receiving welfare receive TANF cash assistance, for the purposes of this paper, welfare will be defined as TANF cash assistance.

	Public housing	Vouchers	Project-based Section 8[a]
Zero income	9%	6%	7%
Amount of earnings			
Non-elderly, non-disabled HH	$11,648	$12,074	$11,050
With no welfare	*$11,960*	*$12,506*	*$11,360*
With some welfare	*$7,693*	*$8,580*	*$7,920*

Source: CRS reproduction of data found in *Work Participation and Length of Stay in HUD-Assisted Housing*, by Jeffrey M. Lubell, Mark Shroder, Barry Steffen, Cityscape, vol. 6, no. 2, 2003. Authors used HUD 2000 data.

Note: HH stands for Head of Household. A family is defined as elderly or disabled based on whether the head of the household is elderly or disabled.

a. The data in this column only represent recipients of Section 8 project-based rental assistance, not Section 101 rent supplements or Section 236 rental subsidies. Section 8 project-based rental assistance recipients make up the vast majority of project-based rental assistance recipients.

b. This category includes income sources such as child support and/or gifts as well as reports of zero income.

How the Programs Interact

The interaction of TANF and direct housing assistance can be assessed in two ways. First, one can look at how the rules of the two types of programs either complement each other or conflict and the implications that may have for households who receive both benefits. The conflict in these rules has been discussed both by housing and welfare advocates. Second, one can look at how the provision of services under one program can help further the goals of the other program, regardless of whether a family is participating in both. Both housing research and welfare research have attempted to measure the impact of these programs on family outcomes.

The Interaction of Program Rules

For families who receive benefits from both TANF and HUD housing assistance programs, the different features of the two programs can create unintended consequences. The emphasis of TANF on work, sanctions, and time limits could have implications for the cost of housing assistance programs. Additionally, the benefit structure of housing assistance programs may undermine the work incentives built into TANF.

TANF Rules

While the TANF goals do not explicitly include increasing families' incomes, the program's emphasis on work, sanctions and time limits has the potential to significantly impact the incomes of welfare recipients. When TANF was enacted, some low-income housing advocates were concerned that, since housing assistance benefit levels are based on family income, if TANF caused fluctuations in family incomes, it could have serious impacts on the federal housing budget.

For example, if under TANF, more families are working and states are maintaining generous earnings disregards, it is possible that families' incomes will rise. If families' incomes rise, they require less housing assistance and the housing assistance programs could cut their costs or serve more families. If under TANF, many families are sanctioned from cash assistance or reach their time limit, it is possible that families' incomes will drop. If families' incomes drop, they require more housing assistance, and PHAs could either request additional federal funds or cut the number of people they serve.

Preliminary research findings have shown that TANF, while promoting work, has not significantly increased or decreased the incomes of current or former recipients.[19] Housing research that sought to monitor the influence of TANF on housing assistance recipients has similarly found few changes in income.[20] As a result, welfare reform has not had a major impact on the housing budget. However, to the extent that TANF, or changes made to TANF, raise or lower the income of families in the future, the housing budget could be impacted.

Housing Rules

While one of the major goals of the TANF program is to promote work, the benefit structure of the HUD housing assistance programs may undermine TANF work policies. The amount of housing assistance a family receives fluctuates with the family's income. If a family's income falls, the family's housing assistance will typically rise to make up for that fall in income. As a result, the family may be cushioned from the full impact of sanctions and time limits and, therefore, might have fewer incentives to meet work requirements. In the other direction, if a family's income rises as a result of work, then the amount of housing assistance a family receives is typically reduced. The family may not feel the full impact of an increase in earnings, and as a result, might have fewer incentives to increase earnings under TANF. Furthermore housing assistance is targeted at extremely low-income households, putting less-poor, potentially working households at a disadvantage when it comes to receiving housing benefits.

Compatibility

Several policies have been adopted to help improve the compatibility of TANF and housing assistance program rules.

QHWRA . The Quality Housing and Work Opportunity Reconciliation Act of 1998 (QHWRA) (P.L. 105-276) required PHAs to adopt several policies designed to encourage families living in public housing to work.[21] QHWRA required PHAs to adopt flat rents as a policy to promote work. Flat rents are market equivalent rents that a family can opt to pay in lieu of an income-based rent. Under a flat rent structure, if a family's income rises to a point where 30% of its income is higher than the flat rent, it can switch to the flat rent and further income increases will not be offset by increases in rent.

Second, QHWRA directed PHAs to adopt an earned income disregard. Under the earned income disregard for public housing, certain amounts of a qualifying adult's verified earned income are not counted toward rent. Specifically, income due to earnings are completely disregarded in calculating rent for 12 months, after which half of any increased earnings are excluded for an additional 12 months. A PHA can also choose to set up Individual Savings Accounts (ISAs) in addition to earned income disregards. When a PHA has set up an ISA program, a family can opt to pay increased rent rather than take the disregard, but the increased amount is deposited into a savings account on the family's behalf.

---

[19] *Final Synthesis.*

[20] Sandra J. Newman, ed., and Joseph Harkness, "The Effects of Welfare Reform on Housing: A National Analysis," by Sandra J. Newman and Joseph Harkness, in *The Home Front: Implications of Welfare Reform for Housing Policy*, Sandra J. Newman, eds. (Washington: The Urban Institute Press, 1999).

[21] CRS Report 98-868, *Public Housing and Section 8 Reforms: The Quality Housing and Work Responsibility Act of 1998*, by Richard Bourdon.

Another rent policy dictated by QHWRA attempts to prevent rent changes from undermining TANF sanctions. For voucher-holders and residents of public housing, decreases in income resulting from non-compliance with TANF rules (or fraud) cannot be offset by rent reductions or increases in housing subsidies. Therefore, families are not cushioned from rent increases if their incomes fall as a result of non-compliance. However, reductions in TANF assistance resulting from time limits or failure to find a job do not count as non-compliance for this purpose. Therefore, if a family hits a time limit or loses TANF because they cannot find a job, their housing benefits will increase to reflect the family's loss of income.

In addition to changes in rent determination policies, QHWRA introduced a community and self-sufficiency requirement to public housing. Under these rules, non-elderly, non-disabled adults who live in public housing are required to work or participate in community service at least 8 hours per month. This provision was suspended in FY2002, but upon passage of the FY2003 appropriations law (P.L. 108-7), the community service and self-sufficiency provision was reinstated.[22]

The Family Self Sufficiency and the Resident Opportunities for Self Sufficiency Program . Under the Housing Choice Voucher program, some families are able to participate in a work incentive program entitled the Family Self Sufficiency Program (FSS).[23] PHAs employ FSS program coordinators who link housing assistance recipients to the supportive services they need to achieve economic self-sufficiency. Families who wish to participate in the FSS program must sign an FSS contract. The contract requires that the family comply with the lease, that all family members become independent of welfare, and that the head of the family seek and maintain suitable employment within five years. An interest-bearing FSS escrow account, similar to an ISA, is established by the PHA for each family that participates in the FSS program. Any increases in rent resulting from increases in earned income are credited to the account during the term of the FSS contract. The PHA may make a portion of this escrow account available to the family during the term of the contract to enable the family to complete an interim goal such as education. If the family completes the contract and no member of the family is receiving welfare, the amount of the FSS account is paid to the family. If the PHA terminates the FSS contract, or if the family fails to complete the contract before its expiration, the family's FSS escrow funds are forfeited.

The Resident Opportunities for Self Sufficiency Program (ROSS) is designed to link public housing residents with supportive services, resident empowerment activities, and assistance in becoming economically self-sufficient. ROSS grants may be made to PHAs, resident associations or non-profits operating programs that benefit public housing residents. The grant money can be used to fund a range of activities including resident self-sufficiency initiatives, resident small business development, other job training and support and service coordinators.

Welfare to Work Vouchers . To address a perceived lack of housing available to families attempting to transition from welfare to self-sufficiency, in 1999 Congress authorized HUD to award approximately 50,000 additional housing choice vouchers to housing authorities throughout the country through its Welfare to Work (WtW) Voucher Program. WtW vouchers target families who have a critical need for housing in order to obtain or retain viable employment. In order to be eligible for a WtW voucher, a family must be both eligible for housing assistance and for TANF cash assistance. In order to be eligible to administer WtW vouchers, PHAs must develop plans in partnership with welfare and workforce development agencies to ensure that the housing assistance is combined with job training, child care, and other

[22] CRS Report RS21591, *Community Service Requirement for Residents of Public Housing*, by Maggie McCarty.

[23] FSS was established in 1990 by Section 554 of the National Affordable Housing Act (P.L. 101-625).

services families need to make the successful transition from welfare to economic independence. No new WtW vouchers have been authorized by Congress since 1999, although the existing WtW vouchers have been renewed.

TANF Funding and Housing. States have wide flexibility under TANF to fund programs designed to better coordinate and fulfill the service needs of families transitioning from welfare to work. As of 2002, 12 states [24] were using their TANF block grant funds to provide some form of housing assistance to families, ranging from home buyer support to rental assistance.[25] While TANF funds can currently be used for one-time or ongoing housing-related assistance, housing aid lasting beyond four months counts as "assistance," which triggers time limits, work requirements and child support reporting requirements for recipients. Some advocates have proposed that the welfare law be changed to allow housing benefits to count as "non-assistance," thus not triggering time limits, work requirements or child support reporting requirements. While this change may prompt more states to use TANF funds for housing, states feel pressure to use TANF funds for many competing purposes, including for funding for child care.

Research Findings

Several studies have been conducted to test whether and how the receipt of housing assistance impacts low-income families, including families who have or are receiving cash assistance. These studies have looked at the impact of housing assistance on a number of outcomes, including employment and TANF receipt.

According to a study by the Brookings Institution,[26] poor families who had left welfare but maintained housing assistance experienced higher employment rates and incomes than welfare leavers without housing assistance. Similar findings resulted from a study of Minnesota's welfare reform initiative (MFIP); the Manpower Demonstration Research Corporation (MDRC) found that residents of public and subsidized housing benefitted more from MFIP than similar families without housing assistance.[27] Despite these positive findings on the relationship between housing assistance and income and earnings, other studies have demonstrated a lack of clear relation between housing assistance and employment and/or earnings.[28] The Department of Housing and Urban Development conducted a study of housing assistance recipients who received welfare in two states. While no statistically significant differences were found in earnings and employment outcomes between welfare recipients with and without housing assistance, the non-experimental component of this analysis indicated a possible positive interactive effect between welfare reform and housing vouchers.[29]

---

[24] Barbara Sard and Tim Harrison, *The Increasing Use of TANF and State Matching Funds to Provide Housing Assistance to Families Moving from Welfare to Work*, The Center on Budget and Policy Priorities, February 2002, at http://www.cbpp.org/12-3-01hous.htm.

[25] Data are not available to indicate how much in TANF funds is being spent on housing assistance.

[26] Sheila Rafferty Zedlewski, *The Importance of Housing Benefits to Welfare Success*, The Brookings Institution, April 2002.

[27] Cynthia Miller, *Explaining the Minnesota Family Investment Program's Impacts by Housing Status*, MDRC Working Paper, December 1998.

[28] Mary Corcoran and Colleen Heflin, "Barriers to Work Among Recipients of Housing Assistance," *Cityscape*, vol. 6, no. 2, 2003.

[29] Wang Lee, Eric Beecroft, Jill Khadduri, and Rhiannon Patterson, *Impacts of Welfare Reform on Recipients of Housing Assistance: Evidence From Indiana and Delaware*, Abt Associates, for the Department of Housing and Urban Development, at http://www.huduser.org/Publications/PDF/impacts_of_welfare_reform.pdf.

Although studies have been ambiguous regarding the impact of housing assistance on employment and earnings, the relationship between neighborhood poverty rates and employment and earnings is well documented. A number of studies have found that neighborhoods with high poverty rates negatively impact families' employment, earnings and earnings growth and increase welfare recidivism and the length of a family's stay on welfare.[30] While public housing is often located in areas of high concentrations of poverty, the portable voucher program allows families the flexibility to move to housing virtually any place in the U.S.[31] While voucher families typically live in areas with lower concentrations of poverty than do families in public housing, families with vouchers still often live in neighborhoods with high poverty. An experiment undertaken by HUD, the Moving to Opportunity (MTO) Fair Housing Demonstration, was designed to test the impact on families of requiring them to move from areas of high concentrations of poverty to areas with low concentrations of poverty. Preliminary findings indicate that families who used vouchers to move to low poverty areas had improved health outcomes, improved educational test scores, and lower rates of juvenile crime. These preliminary findings have not yet shown any wage or employment effects.[32]

The research seems to indicate that, at the least, housing assistance does not appear to hurt the employment and earnings efforts of families leaving welfare; instead, housing assistance may actually improve their outcomes. Furthermore, housing assistance that provides for families to move to areas of lower poverty may actually improve other aspects of the families' lives including health and education outcomes.

Issues

After observing the ways in which federal housing and welfare programs do and do not work together, possible changes may be considered to the programs to help improve their coordination. Several program changes have been considered in past Congresses that may be introduced again. These changes fall into two broad categories: adjusting program rules, and increasing the amount of housing assistance available.

Conflicting Program Rules

There are several areas in which existing housing and welfare program rules are in conflict and adjustments could be made to alleviate that conflict.

Enhance Existing Program Features that Promote Employment

As noted earlier, housing assistance programs, for the most part, do not have the same emphasis on work as do welfare programs. This difference in focus may lead to conflicting messages for dual program participants who eventually see benefits reduced as income increases. However, housing assistance program features which promote employment, such as the Family Self Sufficiency (FSS) program, may enhance the effectiveness of welfare-to-work programs.

---

[30] Margery Austin Turner and Ingrid Gould Ellen, "Does Neighborhood Matter? Assessing Recent Evidence," *Housing Policy Debate*, vol. 8, issue 4, 1997.

[31] While mobility is not an option in public housing, a major demonstration has been undertaken to study whether employment and training services, financial work incentives and community support for work can improve employment and earnings for public housing residents. The implementation of the Jobs-Plus Demonstration has been slow and faced some difficulties, and, as a result, definitive findings are not yet available.

[32] John Goering, Judith Feins and Todd Richardson "A Cross-Site Analysis of Initial Moving to Opportunity Demonstration Results," *Journal of Housing Research*, vol. 13, issue 1, 2002.

Currently, FSS funds, which are issued by HUD to PHAs, can be used only for families who live in public housing or receive tenant-based Section 8 housing choice vouchers; some have argued to allow PHAs to use FSS funds for families with project-based Section 8 vouchers. FSS funds can be used to provide case management and services to assist families in attaining educational and employment goals. Similarly, ROSS funds, which are also issued by HUD to PHAs, are only available to public housing residents; proposals have been made to make ROSS funds available to PHAs for use with Section 8 voucher recipients.

One concern that has been raised is that by expanding the use of these funds without expanding the amount of funding available would result in greater competition for the existing funds.

Change the Way Housing Assistance Programs are Administered

Housing programs and welfare programs are administered at different levels of government, which may contribute to the difficulty in coordinating these two sets of programs. As a result, some have proposed to make changes to the administration of housing programs in order to enhance compatibility with welfare programs.

A "superwaiver" was proposed by the Administration, and a version of this proposal was included in the Administration-based welfare reform bills. The superwaiver would enable states to request waivers of the statutory or regulatory rules for a wide range of work support programs, including housing assistance programs.[33] The superwaiver provision has several potential implications for housing. Advocates of the superwaiver provision assert that it will foster greater coordination among work support programs and will allow localities to better adjust programs to meet the special needs of their population. One potential use of the superwaiver, cited by The Midwest Welfare Peer Assistance Network (WELPAN), could be to override the six-month restriction on follow-up and supportive service assistance to recently housed homeless families that exists in the Supportive Housing for the Homeless Program. WELPAN asserts that a superwaiver would allow administrators to extend follow up and supportive service assistance to meet the needs of individual families beyond the current six-month cap.[34] Those who oppose the expanded waiver authority express concern that states would have too much authority to undermine the goals of programs for the poor, as established by Congress. For example, the Center on Budget and Policy Priorities has expressed concern that superwaiver authority could allow a state to sell off a large public housing building that currently serves extremely low-income families and then use the money for housing assistance for moderate-income individuals.[35]

Additional Housing Assistance?

If housing assistance helps improve the outcomes of families transitioning from welfare to work, low-income housing advocates argue, then more housing assistance should be made available to these families. There are two ways to do this: one, increase the amount of housing assistance provided; or two, prioritize these families for existing assistance. The first is difficult because housing assistance is very expensive. The second is difficult because of the competing needs of

---

[33] The following housing provisions are NOT included under the superwaiver authority: rental assistance under Section 8; provisions that designate public housing units for the elderly and disabled; provisions that govern the development and content of public housing agency plans; provisions that require the establishment of resident advisory boards. For more information, see CRS Report RS21219, *"Superwaiver" Proposals in the Welfare Reform Debate*, by Karen Spar.

[34] Midwest Welfare Peer Assistance Network, *Recreating Social Assistance: Or, How to Use Waiver Authority to Eliminate Program Silos*, May 2002.

[35] The Center on Budget and Policy Priorities, *"Superwaiver" Would Allow Fundamental Changes to Public Housing and Homeless Programs*, September 16, 2002, at http://www.cbpp.org/9-16-02hous.pdf.

the elderly and disabled. The following strategies have been suggested for creating additional housing assistance for welfare families.

Use TANF for Housing Assistance

While new housing assistance money can be difficult to obtain in a tight budget year, states can use their existing TANF funds to support housing, both in the form of ongoing housing assistance as well as rehabilitation of the housing occupied by TANF recipients. As noted earlier, while TANF funds can currently be used for one-time or ongoing housing related assistance, housing aid lasting beyond four months now counts as "assistance," which triggers time limits, work requirements and child support reporting requirements. Proposals to redefine housing as non-assistance were included in the Senate Finance Committee's welfare reauthorization bill from the 107th Congress, which was not enacted. It is thought that such changes to the law would entice more states to use TANF funds to provide housing assistance.

Prioritize TANF Recipients for Housing Assistance

Local communities can set local preferences for distributing housing assistance. If preference is given to families leaving TANF, more assistance may be available to this population. However, PHAs face a tension between prioritizing working families moving off of welfare and prioritizing the elderly and/or disabled. One way to avoid this tension is to create and fund vouchers specifically for families moving from welfare to work.

Fifty-thousand Welfare-to-Work (WtW) housing vouchers were authorized and funded in the 1999 Veterans Administration-Department of Housing and Urban Development and Other Independent Agencies (VA-HUD) appropriations legislation (P.L. 105-276). None has been funded since then, and the program has never been authorized. The WtW voucher program targets families who have a critical need for housing in order to obtain or retain viable employment. In order to participate in the WtW program that was appropriated in 1999, housing authorities were required to develop Welfare-to-Work Voucher plans that demonstrated how housing assistance is combined with job training, child care, and other services families need to transition from welfare to work. Some low-income housing advocates have argued on behalf of authorizing the WtW housing voucher program. However, it is expensive to create new vouchers. Congress has not created any new vouchers since 2002. In fact, in the face of recent budget constraints, Congress has placed funding restrictions on the voucher program in both FY2004 and FY2005 that have led to reductions in the number of available vouchers in some parts of the country. For more information on current issues in the voucher program, see CRS Report RL31930, *Section 8 Housing Choice Vouchers: Funding and Related Issues*.

Conclusion

Because the populations that are served by HUD housing assistance and welfare programs overlap, the pressure to ensure that the programs are well-coordinated will likely continue to face Congress. While several changes have been made in recent years to improve this coordination, the differences inherent in the two sets of programs, such as the high proportion of elderly and disabled households served by housing programs, the different levels of government that administer housing and welfare programs, and the costs associated with providing additional services, may make further changes difficult to enact.

Author Information

Maggie McCarty
Specialist in Housing

Disclaimer